

EAST CENTRAL COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

# Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Net Assets	J	22
Statement of Changes in Net Assets	K	23
Notes to Financial Statements		24-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		34
Notes to Required Supplementary Information - Budgetary Reporting		35
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	37
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	38
Fiduciary Fund, Private Purpose Trust:		
Combining Balance Sheet	4	39
Combining Statement of Changes in Fiduciary Net Assets	5	40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		42-43
Schedule of Findings		44-46

East Central Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2007 election)</b>		
Steve Gendreau	President	2008
Ray Naeve	Vice President	2008
Sharon Marshall	Board Member	2007
Warren Koch	Board Member	2007
Charles Jargo	Board Member	2009
<b>Board of Education</b>		
<b>(After September 2007 election)</b>		
Steve Gendreau	President	2008
Sharon Marshall	Vice President	2010
Ray Naeve	Board Member	2008
Warren Koch	Board Member	2010
Charles Jargo	Board Member	2009
<b>School Officials</b>		
James House	Superintendent	2008
Sandra Hansen	District Secretary and Treasurer	2008
Brian Gruhn	Attorney	2008

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
East Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Central Community School District, Miles, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Central Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 23, 2009 on our consideration of East Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of these reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2009

---

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

East Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,417,130 in fiscal 2007 to \$3,586,998 in fiscal 2008, while General Fund expenditures increased from \$3,628,343 in fiscal 2007 to \$3,788,095 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$605,736 in fiscal 2007 to \$404,639 in fiscal 2008, a 33.20% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local tuition, unrestricted state grants, and operating grant revenues in fiscal 2008. The increase in expenditures was due primarily to increases in instruction and other expenses functions.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of East Central Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report East Central Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which East Central Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
***East Central Community School District Annual Financial Report***

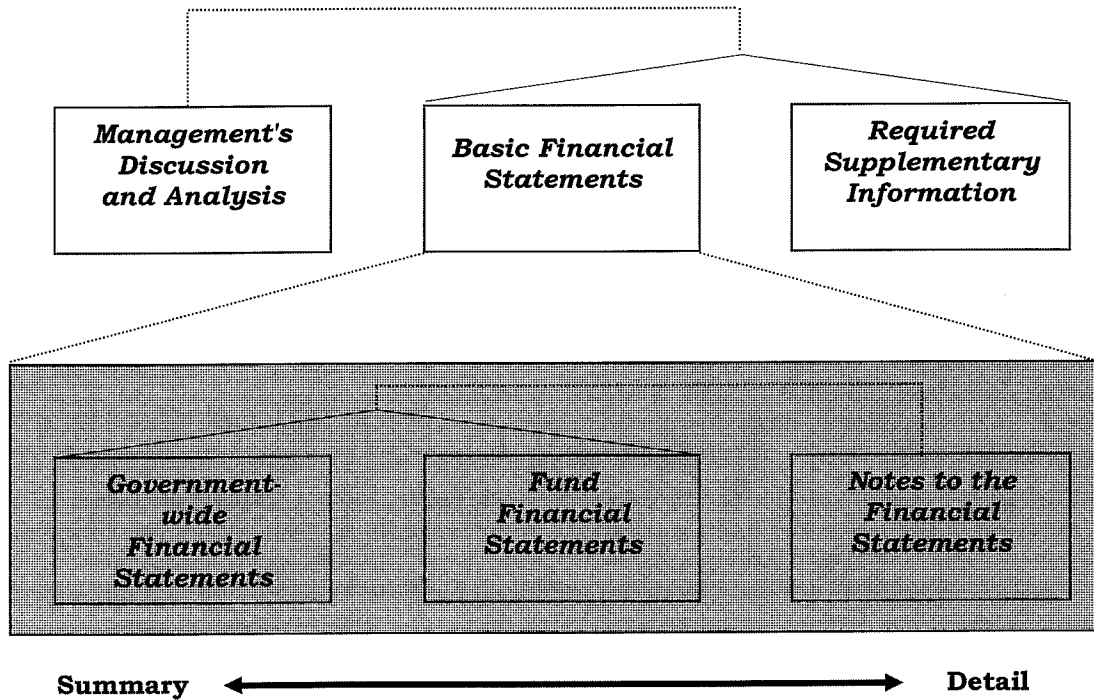


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-Wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



---

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund, the Self-Funded Health Insurance Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 2,486,413	2,522,512	53,519	59,835	2,539,932	2,582,347	-1.64%
Capital assets	841,254	883,508	15,562	10,726	856,816	894,234	-4.18%
Total assets	3,327,667	3,406,020	69,081	70,561	3,396,748	3,476,581	-2.30%
Long-term obligations	98,987	111,635	0	0	98,987	111,635	-11.33%
Other liabilities	1,742,338	1,728,495	952	3,132	1,743,290	1,731,627	0.67%
Total liabilities	1,841,325	1,840,130	952	3,132	1,842,277	1,843,262	-0.05%
Net assets:							
Invested in capital assets, net of related debt	742,267	771,873	15,562	10,726	757,829	782,599	-3.17%
Restricted	338,053	172,731	0	0	338,053	172,731	95.71%
Unrestricted	406,022	621,286	52,567	56,703	458,589	677,989	-32.36%
Total net assets	\$ 1,486,342	1,565,890	68,129	67,429	1,554,471	1,633,319	-4.83%

The District's combined net assets decreased by 4.83%, or \$78,848, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$165,322, or 95.71% over the prior year. The increase was primarily due to the increase in the Capital Projects Fund balance.

Unrestricted net assets – are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other

legal requirements – decreased by \$219,400, or 32.36%. The decrease was primarily due to the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2008 compared to June 30, 2007.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 201,405	168,736	89,092	89,965	290,497	258,701	12.29%
Operating grants, contributions and restricted interest	532,225	447,739	71,420	70,240	603,645	517,979	16.54%
Capital grant, contribution, and restricted interest	18,300	0	0	0	18,300	0	100.00%
General revenues:							
Property tax	1,185,065	1,234,191	0	0	1,185,065	1,234,191	-3.98%
Local option sales and services tax	231,678	237,964	0	0	231,678	237,964	-2.64%
Unrestricted state grants	1,776,604	1,574,374	0	0	1,776,604	1,574,374	12.85%
Unrestricted investment earnings	42,241	57,194	2,010	2,672	44,251	59,866	-26.08%
Other general revenues	4,719	19,312	0	0	4,719	19,312	-75.56%
Transfers	0	(21,309)	0	0	0	(21,309)	100.00%
Total revenues	3,992,237	3,718,201	162,522	162,877	4,154,759	3,881,078	7.05%
Program expenses:							
Governmental activities:							
Instructional	2,643,940	2,478,283	0	0	2,643,940	2,478,283	6.68%
Support services	1,148,877	1,263,375	0	1,535	1,148,877	1,264,910	-9.17%
Non-instructional programs	0	0	161,822	151,541	161,822	151,541	6.78%
Other expenses	278,968	171,029	0	0	278,968	171,029	63.11%
Total expenses	4,071,785	3,912,687	161,822	153,076	4,233,607	4,065,763	4.13%
Changes in net assets	(79,548)	(194,486)	700	9,801	(78,848)	(184,685)	-57.31%
Beginning net assets	1,565,890	1,760,376	67,429	57,628	1,633,319	1,818,004	-10.16%
Ending net assets	\$ 1,486,342	1,565,890	68,129	67,429	1,554,471	1,633,319	-4.83%

Property tax, local option sales and services tax and unrestricted state grants account for 79.99% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.76% of the revenue from business type activities.

The District's total revenues were approximately \$4.15 million of which \$3.99 million was for governmental activities and approximately \$0.16 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.05% increase in revenues and a 4.13% increase in expenses. The increase in revenues was due to increased tuition charges for services, unrestricted state grants, and operating grants, the District received during fiscal 2008. The increases in expenses related to increases in the instructional and other expenses functions.

---

## Governmental Activities

Revenues, net transfers for governmental activities were \$3,992,237 and expenses were \$4,071,785.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,643,940	2,478,283	6.68%	2,029,222	1,987,210	2.11%
Support services	1,148,877	1,263,375	-9.06%	1,148,877	1,263,375	-9.06%
Other expenses	278,968	171,029	63.11%	141,756	45,627	210.68%
Totals	<u>\$ 4,071,785</u>	<u>3,912,687</u>	<u>4.07%</u>	<u>3,319,855</u>	<u>3,296,212</u>	<u>0.72%</u>

- The cost financed by users of the District's programs was \$201,405.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$550,525.
- The net cost of governmental activities was financed with \$1,185,065 in property tax, \$231,678 in local option sales and services tax, \$1,776,604 in unrestricted state grants, \$42,241 in interest income and \$4,719 in other general revenues.

## Business-Type Activities

Revenues of the District's business-type activities were \$162,522 and expenses were \$161,822. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the East Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$724,316, from last year's ending fund balance of \$773,176. The primary reason for the decrease in combined fund balance in fiscal 2008 is due to increases in instructional and other expenses functions in the General Fund.

## Governmental Fund Highlights

- The District's decrease in General Fund financial position is the product of many factors. The decrease was primarily due to the increase in instructional expenditures for 2008.
- The Capital Projects Fund balance increased from \$64,272 in fiscal 2007 to \$198,680 in fiscal 2008.

---

## Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$67,429 at June 30, 2007 to \$68,129 at June 30, 2008, representing an increase of 1.04%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$10,197 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in local sources, than originally anticipated.

Total expenditures were more than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$856,816, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.18% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$149,189.

The original cost of the District's capital assets was \$3,714,309. Governmental funds account for \$3,675,269 with the remainder of \$39,040 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's machinery and equipment totaled \$169,859 at June 30, 2007, compared to \$159,975 reported at June 30, 2008.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 6,827	6,827	0	0	6,827	6,827	0.00%
Buildings	319,581	338,285	0	0	319,581	338,285	-5.53%
Land improvements	370,433	379,263	0	0	370,433	379,263	-2.33%
Machinery and equipment	144,413	159,133	15,562	10,726	159,975	169,859	-5.82%
Total	\$ 841,254	883,508	15,562	10,726	856,816	894,234	-4.18%

### Long-Term Debt

At June 30, 2008, the District had \$98,987 in revenue bonded long-term debt outstanding. This represents a decrease of 11.33% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Revenue bonds	\$ 98,987	111,635	-11.33%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandra Hansen, District Board Secretary, East Central Community School District, P.O. Box 367, Miles, Iowa, 52064.

## BASIC FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,010,173	45,929	1,056,102
Receivables:			
Property tax:			
Delinquent	40,384	0	40,384
Succeeding year	1,296,034	0	1,296,034
Accounts	1,655	0	1,655
Due from other governments	138,167	177	138,344
Inventories	0	7,413	7,413
Capital assets, net of accumulated depreciation (Note 4)	841,254	15,562	856,816
<b>TOTAL ASSETS</b>	<b>3,327,667</b>	<b>69,081</b>	<b>3,396,748</b>
<b>LIABILITIES</b>			
Accounts payable	134,551	0	134,551
Salaries and benefits payable	311,753	0	311,753
Deferred revenue:			
Succeeding year property tax	1,296,034	0	1,296,034
Unearned revenue	0	952	952
Long-term liabilities (Note 5):			
Portion due within one year:			
Revenue bonds payable	23,592	0	23,592
Portion due after one year:			
Revenue bonds payable	75,395	0	75,395
<b>TOTAL LIABILITIES</b>	<b>1,841,325</b>	<b>952</b>	<b>1,842,277</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	742,267	15,562	757,829
Restricted for:			
Beginning teacher mentoring	2,945	0	2,945
Salary improvement program	1,672	0	1,672
Professional development	7,477	0	7,477
Market factor	2,889	0	2,889
Phase II	408	0	408
Market factor incentives	2,985	0	2,985
Management levy	50,910	0	50,910
Physical plant and equipment levy	23,754	0	23,754
Capital projects	198,680	0	198,680
Other special revenue purposes	46,333	0	46,333
Unrestricted	406,022	52,567	458,589
<b>TOTAL NET ASSETS</b>	<b>\$ 1,486,342</b>	<b>68,129</b>	<b>1,554,471</b>

SEE NOTES TO FINANCIAL STATEMENTS



EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Contributions and Restricted Interest Services	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,722,223	84,847	361,199	0	(1,276,177)	0	(1,276,177)
Special instruction	580,503	20,762	19,896	0	(539,845)	0	(539,845)
Other instruction	341,214	95,796	13,918	18,300	(213,200)	0	(213,200)
	<u>2,643,940</u>	<u>201,405</u>	<u>395,013</u>	<u>18,300</u>	<u>(2,029,222)</u>	<u>0</u>	<u>(2,029,222)</u>
Support services:							
Student services	93,086	0	0	0	(93,086)	0	(93,086)
Instructional staff services	152,720	0	0	0	(152,720)	0	(152,720)
Administration services	395,873	0	0	0	(395,873)	0	(395,873)
Operation and maintenance of plant services	266,553	0	0	0	(266,553)	0	(266,553)
Transportation services	240,645	0	0	0	(240,645)	0	(240,645)
	<u>1,148,877</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,148,877)</u>	<u>0</u>	<u>(1,148,877)</u>
Other expenditures:							
Facilities and acquisitions	96,072	0	0	0	(96,072)	0	(96,072)
AEA flowthrough	137,212	0	137,212	0	0	0	0
Depreciation(unallocated)*	45,684	0	0	0	(45,684)	0	(45,684)
	<u>278,968</u>	<u>0</u>	<u>137,212</u>	<u>0</u>	<u>(141,756)</u>	<u>0</u>	<u>(141,756)</u>
Total governmental activities	4,071,785	201,405	532,225	18,300	(3,319,855)	0	(3,319,855)
Non-instructional programs:							
Nutrition services	161,822	89,092	71,420	0	0	(1,310)	(1,310)
Total business-type activities	<u>161,822</u>	<u>89,092</u>	<u>71,420</u>	<u>0</u>	<u>0</u>	<u>(1,310)</u>	<u>(1,310)</u>
Total	<u>\$ 4,233,607</u>	<u>290,497</u>	<u>603,645</u>	<u>18,300</u>	<u>(3,319,855)</u>	<u>(1,310)</u>	<u>(3,321,165)</u>
<b>General Revenues:</b>							
Property tax for:							
General purposes					\$ 1,153,358	0	1,153,358
Capital outlay					31,707	0	31,707
Local option sales and services tax					231,678	0	231,678
Unrestricted state grants					1,776,604	0	1,776,604
Unrestricted investment earnings					42,241	2,010	44,251
Other general revenues					4,719	0	4,719
Total general revenues					<u>3,240,307</u>	<u>2,010</u>	<u>3,242,317</u>
Changes in net assets					(79,548)	700	(78,848)
Net assets beginning of year					1,565,890	67,429	1,633,319
Net assets end of year					<u>\$ 1,486,342</u>	<u>68,129</u>	<u>1,554,471</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 732,457	138,897	119,060	990,414
Receivables:				
Property tax:				
Delinquent	38,384	0	2,000	40,384
Succeeding year	1,223,063	0	72,971	1,296,034
Accounts	1,655	0	0	1,655
Due from other governments	71,623	66,544	0	138,167
<b>TOTAL ASSETS</b>	<b>\$ 2,067,182</b>	<b>205,441</b>	<b>194,031</b>	<b>2,466,654</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 130,183	4,305	63	134,551
Salaries and benefits payable	309,297	2,456	0	311,753
Deferred revenue:				
Succeeding year property tax	1,223,063	0	72,971	1,296,034
Total liabilities	1,662,543	6,761	73,034	1,742,338
Fund balances:				
Reserved for:				
Beginning teacher mentoring	2,945	0	0	2,945
Salary improvement program	1,672	0	0	1,672
Professional development	7,477	0	0	7,477
Market factor	2,889	0	0	2,889
Phase II	408	0	0	408
Market factor incentives	2,985	0	0	2,985
Unreserved:				
General	386,263	0	0	386,263
Management levy	0	0	50,910	50,910
Physical plant and equipment levy	0	0	23,754	23,754
Capital projects	0	198,680	0	198,680
Other special revenue purposes	0	0	46,333	46,333
Total fund balances	404,639	198,680	120,997	724,316
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,067,182</b>	<b>205,441</b>	<b>194,031</b>	<b>2,466,654</b>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 724,316
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	841,254
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	19,759
Long-term liabilities, including revenue bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(98,987)</u>
Net assets of governmental activities (page 13)	<u>\$ 1,486,342</u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,129,778	231,678	55,287	1,416,743
Tuition	105,609	0	0	105,609
Other	56,556	21,192	97,226	174,974
State sources	2,158,478	0	55	2,158,533
Federal sources	136,378	0	0	136,378
Total revenues	3,586,799	252,870	152,568	3,992,237
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,701,802	0	20,573	1,722,375
Special instruction	578,575	0	0	578,575
Other instruction	269,693	0	78,196	347,889
	2,550,070	0	98,769	2,648,839
Support services:				
Student services	93,086	0	0	93,086
Instructional staff services	151,035	0	0	151,035
Administration services	398,550	0	0	398,550
Operation and maintenance of plant services	247,624	0	24,216	271,840
Transportation services	208,018	0	5,846	213,864
	1,098,313	0	30,062	1,128,375
Other expenditures:				
Facilities acquisitions	0	105,814	8,408	114,222
Long-term debt:				
Principal	0	0	12,648	12,648
AEA Flowthrough	137,212	0	0	137,212
	137,212	105,814	21,056	264,082
Total expenditures	3,785,595	105,814	149,887	4,041,296
Excess(Deficiency) of revenues over(under) expenditures	(198,796)	147,056	2,681	(49,059)
Other financing sources(uses):				
Transfers in	0	0	15,148	15,148
Transfers out	(2,500)	(12,648)	0	(15,148)
Sale of equipment	199	0	0	199
Total other financing sources(uses)	(2,301)	(12,648)	15,148	199
Net change in fund balances	(201,097)	134,408	17,829	(48,860)
Fund balance beginning of year	605,736	64,272	103,168	773,176
Fund balance end of year	\$ 404,639	198,680	120,997	724,316

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (48,860)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 104,986	
Depreciation expense	<u>(147,240)</u>	(42,254)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (1,082)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

12,648

Changes in net assets of governmental activities (page 14) \$ (79,548)

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008

	Business-Type Activities	
	Enterprise: Fund	Governmental Activities:
	School	Internal
	Nutrition	Service Fund
<b>ASSETS</b>		
Cash and pooled investments	\$ 45,929	19,759
Due from other governments	177	0
Inventories	7,413	0
Capital assets, net of accumulated depreciation (Note 4)	15,562	0
<b>TOTAL ASSETS</b>	<b>69,081</b>	<b>19,759</b>
<b>LIABILITIES</b>		
Unearned revenue	952	0
<b>NET ASSETS</b>		
Invested in capital assets	15,562	0
Unrestricted	52,567	19,759
<b>TOTAL NET ASSETS</b>	<b>\$ 68,129</b>	<b>19,759</b>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 88,508	2,503
Miscellaneous revenue	584	0
TOTAL OPERATING REVENUES	89,092	2,503
OPERATING EXPENSES:		
Support services:		
Administrative services	0	4,394
Non-instructional programs:		
Food service operations:		
Salaries	54,737	0
Benefits	7,443	0
Services	1,309	0
Supplies	96,361	0
Other	23	0
Depreciation	1,949	0
Total non-instructional programs	161,822	0
TOTAL OPERATING EXPENSES	161,822	4,394
OPERATING LOSS	(72,730)	(1,891)
NON-OPERATING REVENUES:		
State sources	2,158	0
Federal sources	69,262	0
Interest on investments	2,010	809
TOTAL NON-OPERATING REVENUES	73,430	809
Change in net assets	700	(1,082)
Net assets beginning of year	67,429	20,841
Net assets end of year	\$ 68,129	19,759

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 88,694	0
Cash received from miscellaneous	584	2,503
Cash payments to employees for services	(64,546)	(4,394)
Cash payments to suppliers for goods or services	(86,068)	0
Net cash used in operating activities	(61,336)	(1,891)
Cash flows from non-capital financing activities:		
State grants received	2,158	0
Federal grants received	56,399	0
Net cash provided by non-capital financing activities	58,557	0
Cash flows from capital and related financing activities:		
Purchase of capital assets	(6,785)	0
Cash flows from investing activities:		
Interest on investments	2,010	809
Net decrease in cash and cash equivalents	(7,554)	(1,082)
Cash and cash equivalents at beginning of year	53,483	20,841
Cash and cash equivalents at end of year	\$ 45,929	19,759
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (72,730)	(1,891)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	12,686	0
Depreciation	1,949	0
Increase in inventories	(1,061)	0
Decrease in salaries and benefits payable	(2,366)	0
Increase in unearned revenue	186	0
Net cash used in operating activities	\$ (61,336)	(1,891)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 45,929	19,759

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$12,686.

SEE NOTES TO FINANCIAL STATEMENTS



EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
<b>Assets:</b>	
Cash and pooled investments	<u>\$          35,718</u>
<b>Liabilities</b>	<u>0</u>
<b>Net assets</b>	<u><u>\$          35,718</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 4,000
Interest income	1,441
Total additions	<u>5,441</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>1,000</u>
Change in net assets	4,441
Net assets beginning of year	<u>31,277</u>
Net assets end of year	<u><u>\$ 35,718</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**(1) Summary of Significant Accounting Policies**

The East Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Miles and Sabula, Iowa, and the predominate agricultural territory in Clinton and Jackson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, East Central Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The East Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clinton and Jackson Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District's proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance plan of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is the Private Purpose Trust Fund.

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax

accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax

receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 34,843</u>



The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 12,648
Special Revenue- Activity Fund	General Fund	2,500
Total		<u>\$ 15,148</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Capital Projects Fund transferred to the Debt Service Fund to pay revenue bonds.

The General Fund transferred to the Special Revenue: Activity Fund for a corrective transfer from the prior year.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 32,255	6,785	0	39,040
Less accumulated depreciation	21,529	1,949	0	23,478
Business-type activities capital assets, net	<u>\$ 10,726</u>	<u>4,836</u>	<u>0</u>	<u>15,562</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,827	0	0	6,827
Total capital assets not being depreciated	6,827	0	0	6,827
Capital assets being depreciated:				
Buildings	1,209,334	0	0	1,209,334
Land improvements	640,255	18,150	0	658,405
Machinery and equipment	1,713,867	86,836	0	1,800,703
Total capital assets being depreciated	3,563,456	104,986	0	3,668,442
Less accumulated depreciation for:				
Buildings	871,049	18,704	0	889,753
Land improvements	260,992	26,980	0	287,972
Machinery and equipment	1,554,734	101,556	0	1,656,290
Total accumulated depreciation	2,686,775	147,240	0	2,834,015
Total capital assets being depreciated, net	876,681	(42,254)	0	834,427
Governmental activities capital assets, net	\$ 883,508	(42,254)	0	841,254

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 64,135
Other	1,928
Support services:	
Student	1,685
Instructional staff	3,781
Operation and maintenance	3,047
Transportation	26,980
Unallocated depreciation	45,684
Total governmental activities depreciation expense	\$ 147,240
Business-type activities:	
Food services	\$ 1,949

#### (5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 111,635	0	12,648	98,987	23,592

#### Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue date of June 1, 2007			Issue date of January 24, 2007			Total
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	
2009	- % \$	10,944	-	- % \$	12,648	-	23,592
2010	-	10,943	-	-	12,648	-	23,591
2011	-	10,944	-	-	12,648	-	23,592
2012	-	10,943	-	-	6,325	-	17,268
2013	-	10,944	-	-	0	-	10,944
Total	\$	54,718	-	\$	44,269	-	98,987

The District has pledged future local option sales and services tax revenues to repay the \$54,718 bonds, issued on January 24, 2007 and \$63,241 bonds, issued on June 1, 2007. The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school financing playground equipment and resurfacing project and are payable through 2012. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal payments on the bonds are expected to require nearly 10.18% of the local option sales and services tax revenues. The total principal remaining to paid on the bonds is \$98,987. Both bonds are recorded with a zero percent interest rate. For the current year, the principal paid on the bonds was \$12,648 and the local option sales and services tax revenues were \$231,678.

#### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$135,399, \$121,639, and \$114,529, respectively, equal to the required contributions for each year.

#### **(7) Risk Management**

East Central Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$137,212 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,697,326	91,102	1,788,428	1,905,197	1,905,197	(116,769)
State sources	2,158,533	2,158	2,160,691	2,074,759	2,074,759	85,932
Federal sources	136,378	69,262	205,640	185,000	185,000	20,640
Total revenues	3,992,237	162,522	4,154,759	4,164,956	4,164,956	(10,197)
Expenditures:						
Instruction	2,648,839	0	2,648,839	2,824,200	2,824,200	175,361
Support services	1,128,375	0	1,128,375	1,099,600	1,152,000	23,625
Non-instructional programs	0	161,822	161,822	163,700	163,700	1,878
Other expenditures	264,082	0	264,082	404,340	404,340	140,258
Total expenditures	4,041,296	161,822	4,203,118	4,491,840	4,544,240	341,122
Excess(deficiency) of revenues over(under) expenditures	(49,059)	700	(48,359)	(326,884)	(379,284)	330,925
Other financing sources, net	199	0	199	1,000	1,000	(801)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(48,860)	700	(48,160)	(325,884)	(378,284)	330,124
Balance beginning of year	773,176	67,429	840,605	778,148	778,148	62,457
Balance end of year	\$ 724,316	68,129	792,445	452,264	399,864	392,581

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing the budgeted expenditures by \$52,400.

OTHER SUPPLEMENTARY INFORMATION



EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 49,963	46,333	22,764	119,060
Receivables:				
Property tax:				
Current year delinquent	947	0	1,053	2,000
Succeeding year	41,290	0	31,681	72,971
<b>TOTAL ASSETS</b>	<u>\$ 92,200</u>	<u>46,333</u>	<u>55,498</u>	<u>194,031</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 0	0	63	63
Deferred revenue:				
Succeeding year property tax	41,290	0	31,681	72,971
Total Liabilities	<u>41,290</u>	<u>0</u>	<u>31,744</u>	<u>73,034</u>
Fund balances:				
Unreserved	50,910	46,333	23,754	120,997
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 92,200</u>	<u>46,333</u>	<u>55,498</u>	<u>194,031</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 23,580	0	31,707	55,287	0
Other	10,118	86,596	512	97,226	0
State sources	23	0	32	55	0
TOTAL REVENUES	33,721	86,596	32,251	152,568	0
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	18,774	0	1,799	20,573	0
Other instruction	0	78,196	0	78,196	0
Support services:					
Operation and maintenance of plant services	24,216	0	0	24,216	0
Student transportation	5,846	0	0	5,846	0
Other expenditures:					
Facilities acquisitions	0	0	8,408	8,408	0
Long-term debt:					
Principal	0	0	0	0	12,648
TOTAL EXPENDITURES	48,836	78,196	10,207	137,239	12,648
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,115)	8,400	22,044	15,329	(12,648)
OTHER FINANCING SOURCES:					
Transfers in	0	2,500	0	2,500	12,648
Net change in fund balances	(15,115)	10,900	22,044	17,829	0
Fund balances beginning of year	66,025	35,433	1,710	103,168	0
Fund balances end of year	\$ 50,910	46,333	23,754	120,997	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues and Transfers	Expendi- tures	Balance End of Year
Speech and Drama	\$ 2,112	520	727	1,905
State Tournament	508	0	508	0
Boys BB Camp	165	1,270	312	1,123
Football Camp	1,305	450	0	1,755
Girls Basketball Camp	1,483	2,058	702	2,839
Volleyball Camp	1,358	2,617	3,444	531
Softball	146	618	390	374
Athletic	1,344	52,761	45,174	8,931
Activity Interest	3,437	1,248	0	4,685
Project Graduation	1,975	1,590	1,224	2,341
Concession	0	7,905	7,905	0
Class of 2008	1,126	0	1,126	0
Class of 2009	2,103	5,588	6,511	1,180
Class of 2010	0	2,118	1,194	924
Class of 2011	0	3,121	1,789	1,332
General Activities	13,357	2,983	3,315	13,025
Student Pictures	0	418	418	0
Student of the Month	132	0	0	132
Career Day	261	0	0	261
Student Council	805	1,405	1,787	423
Middle School Student Council	3,210	2,426	1,670	3,966
German	380	0	0	380
Stand Chapter	226	0	0	226
Total	\$ 35,433	89,096	78,196	46,333

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund							
	Wilcke-Treloar Scholarship	Johnson/Faur Scholarship	Wilcke Scholarship	Nelson Scholarship	Gray Scholarship	Wiese Scholarship	Wosoba Scholarship	Total
<b>ASSETS</b>								
Cash and pooled investments	\$ 3,374	9,170	5,220	6,844	1,867	1,905	7,338	35,718
<b>LIABILITIES</b>								
	0	0	0	0	0	0	0	0
<b>NET ASSETS:</b>								
Reserved for scholarships	\$ 3,374	9,170	5,220	6,844	1,867	1,905	7,338	35,718

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF  
 CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund							Total
	Wilcke-Treloar Scholarship	Johnson/Paur Scholarship	Wilcke Scholarship	Nelson Scholarship	Gray Scholarship	Wiese Scholarship	Wosoba Scholarship	
Additions:								
Local sources:								
Gifts and contributions	\$ 0	4,000	0	0	0	0	0	4,000
Interest income	169	170	261	309	72	92	368	1,441
	169	4,170	261	309	72	92	368	5,441
Deductions:								
Instruction:								
Regular instruction:								
Scholarships awarded	200	0	500	200	0	0	100	1,000
Changes in net assets	(31)	4,170	(239)	109	72	92	268	4,441
Net assets beginning of year	3,405	5,000	5,459	6,735	1,795	1,813	7,070	31,277
Net assets end of year	\$ 3,374	9,170	5,220	6,844	1,867	1,905	7,338	35,718

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	1,416,743	1,472,155	1,517,353	1,477,448	1,522,638
Tuition		105,609	92,634	137,127	119,026	146,690
Other		174,974	160,646	190,271	153,067	190,189
Intermediate sources		0	0	0	0	91
State sources		2,158,533	1,877,872	1,826,581	1,777,127	1,791,963
Federal sources		136,378	135,501	133,826	152,006	295,677
Total	\$	3,992,237	3,738,808	3,805,158	3,678,674	3,947,248
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$	1,722,375	1,562,016	1,506,438	1,510,285	1,457,712
Special instruction		578,575	588,486	485,542	508,382	525,033
Other instruction		347,889	317,434	342,872	295,904	297,170
Support services:						
Student services		93,086	124,014	97,315	97,504	94,974
Instructional staff services		151,035	181,098	107,433	59,575	97,051
Administration services		398,550	371,727	355,897	332,769	307,041
Operation and maintenance of plant services		271,840	275,276	482,825	262,212	233,996
Transportation services		213,864	273,480	198,077	181,373	202,919
Non-instructional programs		0	0	3,758	0	0
Other expenditures:						
Facilities acquisitions		114,222	333,115	36,306	253,025	107,064
Long-term debt:						
Principal		12,648	6,324	0	0	0
AEA flow-through		137,212	125,402	122,030	120,862	123,726
Total	\$	4,041,296	4,158,372	3,738,493	3,621,891	3,446,686

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

### Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
East Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of East Central Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of East Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects East Central Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of East Central Community School District's financial statements that is more than inconsequential will not be prevented or detected by East Central Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by East Central Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control

Members American Institute & Iowa Society of Certified Public Accountants

that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

East Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit East Central Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of East Central Community School District and other parties to whom East Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of East Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2009



EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will review their control procedures & obtain the maximum internal control possible with our limited number of employees.

Conclusion -Response accepted.

- I-B-08 Board Policies - We noted during our audit, that the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - We are in the process of updating our board policies at this time.

Conclusion - Response accepted

- I-C-08 Authorized Check Signatures - We noted during the audit, instances of one signature on the District's checks. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks issued. Also, pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in her absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapters 291.1 and 291.8 of the Code of Iowa.

Response - We have taken care of this deficiency.

Conclusion - Response accepted

- I-D-08 Purchase Orders - We noted during our audit that District does use purchase orders in the purchase process, however, many of the purchase orders are actually completed after the product is ordered and at times may be completed after the receipt of the products.

Recommendation - The advantage of using a purchase order system is that the approvals of the items being purchased are noted prior to the ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also, reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring the actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore, allowing the person who approves the purchase orders, the insight to know, if there is still available funding to make the purchase.

Although, Districts are not required to a purchase order system, the benefits to financial management make the system, desirable. The District's current purchase order system should be reviewed and the necessary changes mad so that all disbursements are approved by the appropriate administrator, before the ordering of the supplies takes place.

Response - We are currently updating our purchase order practice. The Superintendent signs all purchase orders and the Principals/Athletic Director sign all requisitions.

Conclusion - Response accepted

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008 did not exceed the certified budget.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.